SHORE FINANCIAL CORPORATION

April 11, 2006

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re: **FRB Docket No. OP-1246**; Proposed Interagency Guidance on Concentrations in Commercial Real Estate; 71 Federal Register 2302; January 13, 2006

Dear Ms. Johnson:

Thank you for the opportunity to comment on the proposal referenced above. This proposed guidance will have a huge negative impact on my company's ability to be competitive in our market and to service our community. Residential (1 to 4) construction loans are an important part of Shore Bank's portfolio. As the only community bank in our Virginia market, we work closely with many local builders and contractors. In our area, large national banks are generally not interested in residential construction loans due to their servicing burden. If this new proposal is enacted, we will no longer be able to offer residential construction loans, and since the big banks do not want them this will be a huge disservice to families who simply want a home of their own. Residential construction loans represent relatively low risk, are an important economic factor for our market and provide a basic service to our customers. They should not be classified as "commercial" lending.

As I understand it, this proposal is intended to help banks improve their fundamental risk assessment and management. This is a valid and appropriate goal. According to John Dugan, Comptroller of the Currency, "Some banks demonstrated weaknesses in the fundamental risk management areas of board and management oversight." May I suggest that instead of establishing arbitrary ratios for commercial real estate loans to capital, that the Federal Reserve assists those banks who are taking too much risk to strengthen their board and management oversight?

SHBK NASDAQ LISTED
P.O. Box 920 • Onley, Virginia 23418 • 757-787-1335 • www.shorebank.com

Again quoting Mr. Dugan, "Thirty percent of national banks currently hold commercial real estate loans in amounts exceeding 300 percent of capital." In other words, one third of all national banks are already noncompliant. How are they supposed to become compliant? Immediately stop making commercial loans, and wait for their existing loans to pay off? Common sense should indicate that a test that thirty percent of your banks will fail goes too far. Please reconsider.

Sincerely,

Lynn Badger

Lynn M. Badger
Assistant Vice President